

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Natural Gas Markets Conference

Docket No. PL02-9-000

**Statement for Kyle Simpson, President, Morgan Meguire, LLC on behalf of
EnerSea Transport LLC**

(October 25, 2002)

Good afternoon. My name is Kyle Simpson and I am the President of Morgan Meguire. I am here today on behalf of EnerSea Transport, a Houston based natural gas transportation and storage company. My comments will be focused on two things. First, in addition to LNG, marine transportation of compressed natural gas can make a significant contribution to the effort to meet future natural gas demand in the U.S. and around the world. Second, I want to echo the comments about open access of many of the LNG proponents and emphasize that the realization of the unique benefits and requirements of offshore natural gas port facilities, both for CNG and LNG, relies upon the ability of our fleets to be able to load and offload gas in a continuous fashion.

At EnerSea we are commercializing a breakthrough, cost effective compressed natural gas marine transport and storage system. We have been able to develop a total delivery solution for transporting remote and heretofore stranded gas supplies to the marketplace.

Specifically, the volume optimized transport and storage CNG system known as VOTRANS[™] can best be described as a sea-going pipeline, comprised of long, large-diameter pipes contained within an insulated structure, integrated into a ship. We have improved upon previous CNG concepts by combining optimal storage efficiency, the ability to transport both lean and rich gas, an innovative offloading process to offshore ports, and significantly lower compression requirements. The result is increased vessel capacities and reduced overall costs.

Our recently patented CNG technology has the ability to transport as much as 2 billion cubic feet of gas per ship to markets up to 4000 miles away at substantially lower cost than other gas transportation alternatives. The system provides unprecedented flexibility and risk management capabilities to accommodate expanding production volumes and developing markets—a value to consumers, producers and nations worldwide.

To help meet increasing natural gas demand in the U.S., we are working to apply our CNG technology to stranded natural gas reserves in North and South America—specifically in places such as East Coast Canada, Deepwater Gulf of Mexico, Alaska, Venezuela and the Caribbean.

As you are aware, these large gas reserves have been stranded because they are uneconomic to pursue due to geographic or geopolitical constraints. Through technological innovation VOTRANS™ will reduce the need for field processing facilities. The scalability of the VOTRANS™ technology also allows for phased development opportunities to match fields with market demand centers. This provides the ability to pursue smaller and more remote gas reserves. In addition, fields can typically be brought on stream earlier compared to more capital intensive alternatives.

I want to briefly highlight several activities that EnerSea has undertaken to date. EnerSea Canada was established to bring forward the development of Atlantic Canada offshore gas, specifically in the Grand Banks Region off the coast of Newfoundland to supply Northeast US markets. We are establishing the world's first CNG Center of Excellence to promote and coordinate the participation of government, academia, the exploration and production industry and offshore service companies in the advancement of this emerging CNG industry for worldwide applications.

In continuing our efforts to employ our innovative CNG technology and execute world-scale projects, we created partnerships in June and July of this year with Hyundai Heavy Industries, the world's largest shipbuilder and "K"Line, a leading LNG ship owner and operator. Both entities are working with us during our current Maritime Work Program to commercialize the technology and provide highly qualified gas ship operations experience. EnerSea is also working with American Bureau of Shipping to achieve Class Approval in Principle of its designs in early 2003. EnerSea has had numerous discussions with the US Coast Guard over the last 18 months and has design review meetings scheduled in December to ensure our designs will meet their requirements.

In addition, we have been working with all the major producers to educate them on the benefits of CNG and specifically the application of EnerSea's CNG technology.

Given these advances, we strongly believe that CNG is a viable option in the portfolio of technologies that will be needed to meet increasing natural gas demand.

Our plan is to have completed transportation agreements by 2003 with gas delivery services to follow within 30-36 months.

Regarding open access, it is important to understand that in order to cost effectively pursue stranded natural gas fields, EnerSea economics rely on the VOTRANS™ fleet to be able to load and offload gas in a continuous fashion. In order to match the field and market demand needs, it is important to manage control of the access to the offshore terminal on a long-term basis. However, we

would agree that any unused capacity at a deepwater natural gas port should be made available under reasonable terms and conditions to third parties who may want to utilize the facility.

I want to thank the Commission for convening this dialogue about policy issues facing the natural gas industry. Our nation's growing appetite for natural gas is a great opportunity as well as a challenge. All options must be considered for meeting that demand. EnerSea's CNG technology is a safe, viable and cost-effective option. When shaping the regulatory framework for the future, I encourage policymakers, industry planners and decision makers to be certain to include the application of CNG technologies for delivering currently stranded natural gas to market.